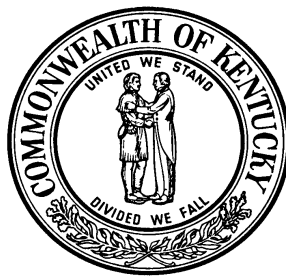


**REPORT OF THE AUDIT OF THE  
ROWAN COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2009**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
[www.auditor.ky.gov](http://www.auditor.ky.gov)**

**209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817  
TELEPHONE (502) 564-5841  
FACSIMILE (502) 564-2912**



## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE ROWAN COUNTY FISCAL COURT**

**June 30, 2009**

The Auditor of Public Accounts has completed the audit of the Rowan County Fiscal Court for fiscal year ended June 30, 2009. We have issued unqualified opinions on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky.

#### **Financial Condition:**

The fiscal court had total net assets of \$12,347,768 as of June 30, 2009. The fiscal court had unrestricted net assets of \$4,147,648 in its governmental activities as of June 30, 2009, with total net assets of \$12,326,907. In its business-type activities, total net cash and cash equivalents were \$10,521 with total net assets of \$20,861. The fiscal court had total debt principal as of June 30, 2009 of \$7,201,456 with \$5,215,101 due within the next year.

#### **Report Comment:**

- The Rowan County Detention Center Lacks Adequate Segregation Of Duties Over Accounting Functions

#### **Deposits:**

The fiscal court's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Jim Nickell, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Rowan County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Rowan County, Kentucky, prepares its financial statements in accordance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The County has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

209 ST. CLAIR STREET  
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841  
FACSIMILE 502.564.2912  
WWW.AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M / F / D



To the People of Kentucky  
Honorable Steven L. Beshear, Governor  
Jonathan Miller, Secretary  
Finance and Administration Cabinet  
Honorable Jim Nickell, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rowan County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation of the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 13, 2010 on our consideration of Rowan County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Rowan County Detention Center Lacks Adequate Segregation Of Duties Over Accounting Functions

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen  
Auditor of Public Accounts

May 13, 2010

ROWAN COUNTY OFFICIALS

For The Year Ended June 30, 2009

**Fiscal Court Members:**

Jim Nickell	County Judge/Executive
Ray White	Magistrate
Jerry Flannery	Magistrate
Troy Perkins	Magistrate
Nick Caudill	Magistrate

**Other Elected Officials:**

Cecil Watkins	County Attorney
Don Hall	Jailer
Jean W. Bailey	County Clerk
Jim Barker	Circuit Court Clerk
Jack Carter	Sheriff
C.J. Baker	Property Valuation Administrator
John P. Northcutt	Coroner

**Appointed Personnel:**

Kerry M. Jessee	County Treasurer
Charles Stansbury	Occupational Tax Collector
Mary Ann Stevens	Finance Officer

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**ROWAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**



**ROWAN COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 4,147,648	\$ 10,521	\$ 4,158,169
Total Current Assets	<u>4,147,648</u>	<u>10,521</u>	<u>4,158,169</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	5,228,917		5,228,917
Construction In Progress	624,752		624,752
Buildings	5,823,617		5,823,617
Equipment	1,202,714		1,202,714
Vehicles	927,525	10,340	937,865
Infrastructure	<u>1,573,190</u>		<u>1,573,190</u>
Total Noncurrent Assets	<u>15,380,715</u>	<u>10,340</u>	<u>15,391,055</u>
Total Assets	<u>19,528,363</u>	<u>20,861</u>	<u>19,549,224</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations	375,101		375,101
General Obligation Bonds	25,000		25,000
Anticipation Note	4,710,000		4,710,000
Revenue Bonds	<u>105,000</u>		<u>105,000</u>
Total Current Liabilities	<u>5,215,101</u>		<u>5,215,101</u>
Noncurrent Liabilities:			
Financing Obligations	1,151,355		1,151,355
General Obligation Bonds	605,000		605,000
Revenue Bonds	<u>230,000</u>		<u>230,000</u>
Total Noncurrent Liabilities	<u>1,986,355</u>		<u>1,986,355</u>
Total Liabilities	<u>7,201,456</u>		<u>7,201,456</u>
<b>NET ASSETS</b>			
Invested in Capital Assets,			
Net of Related Debt	8,179,259	10,340	8,189,599
Unrestricted	<u>4,147,648</u>	<u>10,521</u>	<u>4,158,169</u>
Total Net Assets	<u>\$ 12,326,907</u>	<u>\$ 20,861</u>	<u>\$ 12,347,768</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**

**ROWAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,515,512	\$	\$ 554,046	\$ 89,143
Protection to Persons and Property	2,667,008	1,965,968	282,037	
General Health and Sanitation	209,776	145,512	29,722	
Social Services	24,544			
Recreation and Culture	169,460			
Airports	3,000			
Bus Services	20,656			
Roads	1,291,355		1,287,666	
Interest on Long-Term Debt	240,494			
Capital Projects	33,827			209,149
Total Governmental Activities	8,175,632	2,111,480	2,153,471	298,292
Business-type Activities:				
Jail Canteen	158,965	165,755		
Total Business-type Activities	158,965	165,755		
Total Primary Government	\$ 8,334,597	\$ 2,277,235	\$ 2,153,471	\$ 298,292

**General Revenues:**

Taxes:

    Real Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Transfers

    Total General Revenues

    Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Net (Expenses) Revenues and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (2,872,323)	\$	\$ (2,872,323)
(419,003)		(419,003)
(34,542)		(34,542)
(24,544)		(24,544)
(169,460)		(169,460)
(3,000)		(3,000)
(20,656)		(20,656)
(3,689)		(3,689)
(240,494)		(240,494)
175,322		175,322
(3,612,389)		(3,612,389)
	6,790	6,790
	6,790	6,790
(3,612,389)	6,790	(3,605,599)
459,003		459,003
85,767		85,767
3,538,798		3,538,798
182,580		182,580
52,059		52,059
93,231		93,231
28,200	(28,200)	
4,439,638	(28,200)	4,411,438
827,249	(21,410)	805,839
11,499,658	42,271	11,541,929
\$ 12,326,907	\$ 20,861	\$ 12,347,768

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

**ROWAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>General Fund</b>	<b>Road Fund</b>	<b>Jail Fund</b>	<b>Ambulance Fund</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 398,401	\$ 120,281	\$ 933	\$ 68,848
Total Assets	<u>398,401</u>	<u>120,281</u>	<u>933</u>	<u>68,848</u>
<b>FUND BALANCES</b>				
Reserved for:				
Encumbrances	5,775	5,432	10,521	15,196
Unreserved:				
General Fund	392,626			
Special Revenue Funds		114,849	(9,588)	53,652
Debt Service Fund				
Total Fund Balances	<u>\$ 398,401</u>	<u>\$ 120,281</u>	<u>\$ 933</u>	<u>\$ 68,848</u>

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**June 30, 2009**  
**(Continued)**

<b>County Of Rowan Properties Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<u>\$ 3,434,652</u>	<u>\$ 124,533</u>	<u>\$ 4,147,648</u>
<u>3,434,652</u>	<u>124,533</u>	<u>4,147,648</u>
	38	36,962
		392,626
	124,495	283,408
<u>3,434,652</u>		<u>3,434,652</u>
<u>\$ 3,434,652</u>	<u>\$ 124,533</u>	<u>\$ 4,147,648</u>

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 4,147,648
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	18,477,076
Accumulated Depreciation	(3,096,361)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Financing Obligations	(1,526,456)
Bonds	<u>(5,675,000)</u>
Net Assets Of Governmental Activities	<u>\$ 12,326,907</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<u><b>General Fund</b></u>	<u><b>Road Fund</b></u>	<u><b>Jail Fund</b></u>
<b>REVENUES</b>			
Taxes	\$ 2,919,629	\$ 719,015	\$
In Lieu Tax Payments	152,503	230,193	
Excess Fees	182,580		
Licenses and Permits	178,356		
Intergovernmental	610,720	1,104,289	647,688
Charges for Services			108,502
Miscellaneous	181,673	212,549	48,558
Interest	2,595	6,628	264
Total Revenues	<u>4,228,056</u>	<u>2,272,674</u>	<u>805,012</u>
<b>EXPENDITURES</b>			
General Government	1,303,623		
Protection to Persons and Property	232,155		1,230,593
General Health and Sanitation	188,889		
Social Services	24,544		
Recreation and Culture	169,460		
Airports	3,000		
Bus Services	20,656		
Roads		1,432,794	
Debt Service	357,250	543,194	
Capital Projects	11,937		
Administration	954,636	440,668	255,060
Total Expenditures	<u>3,266,150</u>	<u>2,416,656</u>	<u>1,485,653</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>961,906</u>	<u>(143,982)</u>	<u>(680,641)</u>
<b>Other Financing Sources (Uses)</b>			
Debt Issuance			
Discount on Debt Issuance			
Transfers From Other Funds	65,000	50,000	765,200
Transfers To Other Funds	(999,403)	(50,000)	(97,489)
Total Other Financing Sources (Uses)	<u>(934,403)</u>	<u></u>	<u>667,711</u>
Net Change in Fund Balances	27,503	(143,982)	(12,930)
Fund Balances - Beginning (Restated)	370,898	264,263	13,863
Fund Balances - Ending	<u>\$ 398,401</u>	<u>\$ 120,281</u>	<u>\$ 933</u>

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Ambulance Fund</b>	<b>County Of Rowan Properties Corporation Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 1,024	\$ 3,639,668
			382,696
			182,580
			178,356
201,948		248,449	2,813,094
1,149,947			1,258,449
24,279		720	467,779
336	41,889	347	52,059
1,376,510	41,889	250,540	8,974,681
		127,170	1,430,793
1,007,021		50,879	2,520,648
		13,007	201,896
			24,544
			169,460
			3,000
			20,656
			1,432,794
50,463	210,052		1,160,959
	1,314,752	21,890	1,348,579
461,498	14,914	9,345	2,136,121
1,518,982	1,539,718	222,291	10,449,450
(142,472)	(1,497,829)	28,249	(1,474,769)
	210,000		210,000
	(1,050)		(1,050)
179,000	97,489	36,403	1,193,092
		(18,000)	(1,164,892)
179,000	306,439	18,403	237,150
36,528	(1,191,390)	46,652	(1,237,619)
32,320	4,626,042	77,881	5,385,267
\$ 68,848	\$ 3,434,652	\$ 124,533	\$ 4,147,648

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ROWAN COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$ (1,237,619)
--	----------------

Amounts reported for governmental activities in the Statement of Activities are different because Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay	2,074,245
Disposal Of Assets Held For Resale	(196,554)
Depreciation Expense	(524,338)

The issuance of long-term debt (e.g. bonds, financing obligations) provides current financial resources to governmental funds, while repayment of principal on long-term debt consumes the current financial resources of Governmental Funds. These transactions, however, have no effect on net assets.

Proceeds from Debt	(210,000)
Financing Obligation Principal Payments	551,515
Bond Principal Payments	370,000

Change in Net Assets of Governmental Activities	\$ 827,249
---	------------

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**ROWAN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**



**ROWAN COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 10,521
Total Current Assets	<u>10,521</u>
Noncurrent Assets:	
Capital Assets:	
Vehicles	13,940
Less Accumulated Depreciation	<u>(3,600)</u>
Total Noncurrent Assets	<u>10,340</u>
<b>Net Assets</b>	
Invested in Capital Assets,	
Net of Related Debt	10,340
Unrestricted	<u>10,521</u>
Total Net Assets	<u><u>\$ 20,861</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ROWAN COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 165,755
Total Operating Revenues	<u>165,755</u>
<b>Operating Expenses</b>	
Cost of Sales	85,351
Educational and Recreational	9,136
Depreciation	3,600
Bank Charges	108
Sales Tax	<u>5,072</u>
Total Operating Expenses	<u>103,267</u>
Operating Income	<u>62,488</u>
<b>Nonoperating Revenues (Expenses)</b>	
Inmate Refunds	(55,698)
Transfer to Jail Fund	<u>(28,200)</u>
Total Nonoperating Revenues (Expenses)	<u>(83,898)</u>
Change In Net Assets	(21,410)
Total Net Assets - Beginning	<u>42,271</u>
Total Net Assets - Ending	<u><u>\$ 20,861</u></u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**



**ROWAN COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2009**

	<b>Business-Type Activities - Enterprise Fund</b>
	<b>Jail Canteen Fund</b>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 165,755
Cost of Sales	(85,351)
Educational and Recreational	(9,136)
Bank Charges	(108)
Sales Tax	(5,072)
Net Cash Provided By Operating Activities	<u>66,088</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Transfers Out to Jail Fund	(28,200)
Inmate Refunds on Accounts	(55,698)
Net Cash Provided (Used) By Noncapital Activities	<u>(83,898)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(17,810)
Cash and Cash Equivalents - July 1, 2008	<u>28,331</u>
Cash and Cash Equivalents - June 30, 2009	<u>\$ 10,521</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	\$ 62,488
Adjustments to Reconcile Operating Income To Net Cash Provided (Used) By Operating Activities	
Depreciation Expense	<u>3,600</u>
Net Cash Provided By Operating Activities	<u>\$ 66,088</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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**ROWAN COUNTY  
NOTES TO FINANCIAL STATEMENTS**

**June 30, 2009**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Rowan County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. The County has no discretely presented component units.

Blended Component Unit

The following legally separate organization provides its services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

**The County of Rowan Properties Corporation**

The Rowan County Fiscal Court appoints the voting majority of the County of Rowan Properties Corporation's governing board and has the ability to impose its will on the governing board. In addition, the fiscal court is financially accountable and legally obligated for the debt of the County of Rowan Properties Corporation.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Kentucky law provides for election of the officials below from the geographic area constituting Rowan County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Rowan County, Kentucky.

**Rowan County Elected Officials**

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

**Road Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Ambulance Fund** - The purpose of this fund is to account for ambulance service expenses of the county. The primary sources of revenue for this fund are charges for services, grant funds from state and federal governments, and transfers in from the City of Morehead, Kentucky to help fund the service. The funds are used to maintain and operate an ambulance service.

**The County of Rowan Properties Corporation** - The purpose of this fund is to account for the activities of the Rowan Properties Corporation, a blended component unit of the county. The Rowan Properties Corporation issued debt to build a detention facility, for road paving, and the purchase of an abuse center. The Rowan Properties Corporation has entered into a contract, lease, and option with the County. The Department for Local Government does not require the fiscal court to report or budget these funds.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, Disaster and Emergency Services Fund, Forest Fire Fund, and Local Government Economic Development Fund.

**Special Revenue Funds:**

The Road Fund, Jail Fund, Ambulance Fund, Local Government Economic Assistance Fund, State Grants Fund, Disaster and Emergency Services Fund, Forest Fire Fund, and Local Government Economic Development Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**Debt Service Fund:**

The County of Rowan Properties Corporation is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Proprietary Funds**

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the Jailer to maintain accounting records and report annually to the County Treasurer the receipts and disbursements of the Jail Canteen Fund.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	25,000	10-75
Machinery and Equipment	2,500	3-25
Vehicles	2,500	3-25
Infrastructure	20,000	10-50

**F. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes, and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund (Proprietary Fund) or the County of Rowan Properties Fund (Debt Service Fund) to be budgeted.

**I. Jointly Governed Organizations**

A regional government or other multi-governmental arrangement that is governed by representatives from each of the governments that created the organization, but that is not a joint venture because the participants do not retain an ongoing financial interest or responsibility is a jointly governed organization. Based upon these criteria, the following are considered jointly governed organizations of Rowan County: The Menifee, Morgan, and Rowan Counties Industrial Park (MMRC), and the Morehead-Rowan County Airport Board.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 2. Deposits**

The County maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 4,538,917	\$ 690,000	\$	\$ 5,228,917
Construction In Progress		624,752		624,752
Total Capital Assets Not Being Depreciated	4,538,917	1,314,752		5,853,669
Capital Assets, Being Depreciated:				
Buildings	6,961,452	30,989		6,992,441
Equipment	1,951,582	190,586		2,142,168
Vehicles	1,193,553	176,025		1,369,578
Infrastructure	1,757,327	361,893		2,119,220
Total Capital Assets Being Depreciated	11,863,914	759,493		12,623,407
Less Accumulated Depreciation For:				
Buildings	(1,074,121)	(94,703)		(1,168,824)
Equipment	(755,512)	(183,942)		(939,454)
Vehicles	(355,089)	(86,964)		(442,053)
Infrastructure	(387,301)	(158,729)		(546,030)
Total Accumulated Depreciation	(2,572,023)	(524,338)		(3,096,361)
Total Capital Assets, Being Depreciated, Net	9,291,891	235,155		9,527,046
Governmental Activities Capital Assets, Net	<u>\$ 13,830,808</u>	<u>\$ 1,549,907</u>	<u>\$ 0</u>	<u>\$ 15,380,715</u>
<u>Business-Type Activities:</u>				
Capital Assets, Being Depreciated:				
Vehicles	\$ 26,500			\$ 26,500
Total Capital Assets Being Depreciated	26,500			26,500
Less Accumulated Depreciation For:				
Vehicles	(12,560)	(3,600)		(16,160)
Total Accumulated Depreciation	(12,560)	(3,600)		(16,160)
Total Capital Assets, Being Depreciated, Net	13,940	(3,600)		10,340
Business-type Activities Capital Assets, Net	\$ 13,940	\$ (3,600)	\$ 0	\$ 10,340

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 3. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 83,075
Protection to Persons and Property	171,656
General Health and Sanitation	11,083
Roads, Including Depreciation of General Infrastructure Assets	<u>258,524</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 524,338</u>

Business-Type Activities:

Protection to Persons and Property	<u>\$ 3,600</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 3,600</u>

**Note 4. Short-term Debt**

- A. In July 2008, Rowan County participated in the Kentucky Association of Counties' Kentucky Advance Revenue Program by issuing a note in the amount of \$519,400 with the principal being due in January 2009. While the county did not use the borrowed funds in order to meet current General and Road Fund expenses, they were able to invest the funds and receive net interest earnings from the Kentucky Association of Counties' Kentucky Advance Revenue Program of \$2,770.
- B. In March 2008, the Rowan County Fiscal Court entered into a lease agreement in the amount of \$196,554 with the Bank of New York for a truck purchase project. The County purchased two heavy trucks for the county to use for the 2008 fiscal year. The trucks are to be auctioned off to pay the outstanding principal of the lease. The agreement requires one payment due by March 20, 2009, with an interest rate of 3.96 percent. The principal balance was paid in full as of June 30, 2009.

Changes In Short-term Liabilities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
Financing Obligations	<u>\$ 196,554</u>	<u>\$ 519,400</u>	<u>\$ 715,954</u>	<u>\$ 0</u>	<u>\$ 0</u>
Governmental Activities					
Short-term Liabilities	<u>\$ 196,554</u>	<u>\$ 519,400</u>	<u>\$ 715,954</u>	<u>\$ 0</u>	<u>\$ 0</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt**

**A. County of Rowan Properties Corporation – Detention Center**

On September 1, 1997, the County of Rowan Properties Corporation issued \$1,285,000 of revenue bonds for the defeasance of the 1991 bond series issue. The 1991 bonds were originally issued to finance construction of the Rowan County Detention Center. The refunding bonds were dated September 1, 1997, with the requirement that semiannual interest payments be made on March 1 and September 1 of each year commencing March 1, 1998. The agreement has a variable interest rate of 4.95 to 5.05 percent. The bonds will mature March 1, 2012. As of June 30, 2009, the principal amount outstanding was \$335,000. Bond payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 105,000	\$ 16,918
2011	110,000	11,616
2012	120,000	6,060
Totals	<u>\$ 335,000</u>	<u>\$ 34,594</u>

**B. General Obligation Bonds – Road Improvements**

On June 15, 1999, Rowan County issued \$2,035,000 of general obligation bonds for road improvements. The bonds require the semiannual interest and principal payments be made on June 1 and December 1 of each year commencing on December 1, 1999. One principal payment will be due on June 1 of each year commencing June 1, 2000. The agreement has a variable interest rate of 4.25 to 4.55 percent. The bonds will mature June 1, 2009. As of June 30, 2009, the principal balance was paid in full.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**C. General Obligation Bonds – Old Courthouse Restoration**

On October 11, 2006, Rowan County issued \$675,000 of general obligation improvement bonds for the renovation of the old courthouse. The bonds require annual principal due November 1 commencing November 1, 2007 and semiannual interest payments due November 1 and May 1 of each year commencing May 1, 2007. The agreement has variable interest rate. The principal balance was \$630,000 as of June 30, 2009. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 25,000	\$ 25,935
2011	25,000	24,885
2012	25,000	23,835
2013	25,000	22,785
2014	30,000	21,630
2015-2019	160,000	88,830
2020-2024	200,000	51,210
2025-2027	140,000	9,030
Totals	<u>\$ 630,000</u>	<u>\$ 268,140</u>

**D. First Mortgage Revenue Bonds Anticipation Notes, Series 2008**

In April 2008, The County of Rowan Public Properties Corporation, a component unit of the Rowan County Fiscal Court, issued \$4,500,000 in First Mortgage Revenue Bonds Anticipation Notes, Series 2008. The proceeds from these notes were used in anticipation of bond proceeds to begin construction of the Judicial Center. These notes are scheduled to mature on April 1, 2010 and carry an interest rate of 2.53%. Semiannual interest payments are required in October and April and the full principal amount is due in April 2010. As of June 30, 2009, the principal balance outstanding on these bonds was \$4,500,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 4,500,000	\$ 113,850
Totals	<u>\$ 4,500,000</u>	<u>\$ 113,850</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**E. First Mortgage Revenue Bonds Anticipation Notes, Series 2009**

In May 2009, The County of Rowan Public Properties Corporation, a component unit of the Rowan County Fiscal Court, issued \$210,000 in First Mortgage Revenue Bonds Bond Anticipation Notes, Series 2009. The proceeds from these notes were used in anticipation of bond proceeds to begin construction of the Administrative Building. These notes are scheduled to mature in June 1, 2010 and carry an interest rate of 2.25%. Semiannual interest payments are required in December and June and the full principal amount is due in June 2010. As of June 30, 2009, the principal balance outstanding on these bonds was \$210,000. Payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 210,000	\$ 2,303
Totals	<u>\$ 210,000</u>	<u>\$ 2,303</u>

**F. Financing Obligation – Airport Land Acquisition**

Rowan County entered into a \$1,500,000 lease agreement with Kentucky Area Development Districts Financing Trust for airport land acquisition. The lease requires that semiannual interest payments due on December 1 and June 1 of each year commencing December 1, 2000. One principal payment will be due on June 1 of each year commencing June 1, 2001. The lease agreement ends June 1, 2010. The agreement has a variable interest rate of 4.75 to 5.1 percent. The Morehead – Rowan County Airport Board made a resolution that they would provide funds to the Rowan County Fiscal Court to make these payments. The Morehead – Rowan County Airport Board's ability to provide this funding is contingent on the Transportation Cabinet's Kentucky Aviation Economic Development Fund continuing to provide annual assistance to them. The principal balance on the lease was \$185,000 as of June 30, 2009. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 185,000	\$ 9,435
Totals	<u>\$ 185,000</u>	<u>\$ 9,435</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**G. Financing Obligation – Fire Truck Acquisition**

Rowan County entered into a \$170,000 lease agreement with the Kentucky Area Development Districts Financing Trust for the purchase of a fire truck. The lease requires that semiannual interest payments be made on December 1 and June 1 of each year commencing on June 1, 2002. The agreement has a variable interest rate of 3.9 to 4.2 percent. The lease agreement ends June 1, 2011. The principal on the lease was \$40,000 as of June 30, 2009. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 20,000	\$ 1,680
2011	20,000	840
Totals	<u>\$ 40,000</u>	<u>\$ 2,520</u>

**H. Financing Obligation – Old Courthouse Restoration Project**

On March 1, 2005, Rowan County entered into a \$1,000,000 lease agreement with Kentucky Area Development Districts Financing Trust for restoration and renovation of the Old Rowan County Courthouse. This lease requires that semiannual interest payments be made on March 1 and September 1 of each year through March 1, 2024. One principal is due on September 1 of each year starting on September 1, 2005. The agreement has a variable interest rate of 2.2 to 5.3 percent. The principal on the lease was \$865,000 as of June 30, 2009. Lease payments for the remaining years are:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	35,000	44,632
2011	40,000	42,845
2012	40,000	40,945
2013	40,000	39,045
2014	45,000	37,020
2015-2019	255,000	148,165
2020-2024	335,000	68,758
2025	75,000	1,988
Totals	<u>\$ 865,000</u>	<u>\$ 423,398</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Financing Obligation – Road Equipment**

Rowan County entered into a \$260,000 lease agreement with Kentucky Association of Counties for the purchase of road equipment to be paid in full on July 20, 2011. The lease requires that annual principal payments be made on July 20 of each year commencing July 20, 2006. Interest payments are required to be paid monthly commencing on June 20, 2006. The agreement has an interest rate of 3.51 percent. The principal balance on the lease was \$99,920 as of June 30, 2009. Lease payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 50,000	\$ 2,562
2011	49,920	202
Totals	<u>\$ 99,920</u>	<u>\$ 2,764</u>

**J. Financing Obligation – Ambulance**

Rowan County entered into a \$225,864 lease agreement with Kentucky Association of Counties for the purchase of ambulances to be paid in full on January 20, 2013. The lease requires that annual principal payments be made on January 20 of each year commencing January 20, 2009. Interest payments are required to be paid monthly commencing on April 20, 2008. The agreement has a variable interest. The principal balance on the lease was \$183,864 as of June 30, 2009. Lease payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 43,000	\$ 6,742
2011	45,000	4,961
2012	47,000	3,103
2013	<u>48,864</u>	<u>1,166</u>
Totals	<u>\$ 183,864</u>	<u>\$ 15,972</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**K. Financing Obligation – Dump Trucks**

Rowan County entered into a \$134,200 lease agreement with Kentucky Area Development Districts Financing Trust for the purchase of dump trucks to be paid in full on January 20, 2013. The lease requires that annual principal payments be made on January 20 of each year commencing January 20, 2009. Interest payments are required to be paid monthly commencing on April 20, 2008. The agreement has a variable interest. The principal balance on the lease was \$109,200 as of June 30, 2009. Lease payments for the remaining years are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 26,000	\$ 3,996
2011	27,000	2,923
2012	28,000	1,812
2013	28,200	673
Totals	<u>\$ 109,200</u>	<u>\$ 9,404</u>

**L. Financing Obligation – Sheriff Vehicles**

Rowan County entered into a \$30,433 lease agreement with Kentucky Association of Counties for the purchase of Sheriff vehicles to be paid in full on January 20, 2011. The lease requires that annual principal payments be made on January 20 of each year commencing January 20, 2008. Interest payments are required to be paid monthly commencing on January 20, 2008. The agreement has an interest rate of 4.25 percent. The principal balance on the lease was \$20,433 as of June 30, 2009. This debt is paid by the Rowan County Sheriff's Office.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 10,000	\$ 356
2011	10,433	326
Totals	<u>\$ 20,433</u>	<u>\$ 682</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**M. Financing Obligation – Sheriff Vehicles**

In January 2008, the Rowan County Fiscal Court entered into a lease agreement in the amount of \$26,000 with the Kentucky Association of Counties Leasing Trust for a Sheriff's vehicle. The agreement was to be paid in full on January 20, 2009. In January 2009, the lease was refinanced and is to be paid in full on January 20, 2013. The lease requires that principal payments be paid monthly commencing on January 20, 2009. Interest payments are required to be paid monthly commencing on February 20, 2008. The agreement has an interest rate of 4.083 percent. The principal balance on the lease was \$23,039 as of June 30, 2009. This debt is paid by the Rowan County Sheriff's Office.

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2010	\$ 6,101	\$ 801
2011	6,350	555
2012	6,609	300
2013	3,979	53
Totals	<u>\$ 23,039</u>	<u>\$ 1,709</u>

**Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b><u>Governmental Activities:</u></b>					
Revenue Bonds	\$ 435,000	\$	\$ 100,000	\$ 335,000	\$ 105,000
General Obligation Bonds	900,000		270,000	630,000	25,000
Revenue Bond Anticipation Notes	4,500,000	210,000		4,710,000	4,710,000
Financing Obligations	1,881,417		354,961	1,526,456	375,101
Governmental Activities					
Long-term Liabilities	<u>\$ 7,716,417</u>	<u>\$ 210,000</u>	<u>\$ 724,961</u>	<u>\$ 7,201,456</u>	<u>\$ 5,215,101</u>

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 6. Employee Retirement System**

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 13.50 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 29.50 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

**Note 7. Related Party Transactions**

The County entered into the following related party transaction during the 2009 fiscal year:

The County expended \$13,680 to Caudill's Excavating. Caudill's Excavating is owned by the brother of Nick Caudill, a magistrate of the Rowan County Fiscal Court.

**Note 8. Deferred Compensation**

The Rowan County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**ROWAN COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2009**  
**(Continued)**

**Note 8. Deferred Compensation (Continued)**

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862.

**Note 9. Insurance**

For the fiscal year ended June 30, 2009, Rowan County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Doves Building Project**

The Rowan County Fiscal Court received a Community Development Block Grant in the amount of \$500,000 for the purpose of assisting D.O.V.E.S. of Gateway purchase a building to be used as an abuse shelter. \$480,000 of the grant proceeds were used to purchase the building and the remainder was designated for planning and administration of the grant. The purchase price of the building was \$575,700. D.O.V.E.S. of Gateway obtained a bank loan for the rest of the funds needed to purchase the building and make needed improvements to the property. The deed of conveyance giving the Rowan County Fiscal Court legal title to the property stipulates that title to the property will be conveyed to D.O.V.E.S. of Gateway six (6) months after the closeout of the Community Development Block Grant. The county conveyed this property to D.O.V.E.S. and it was recorded in the County Clerk's office on October 14, 2009.

**Note 11. Subsequent Events**

Rowan County Fiscal Court is planning to issue \$13,050,000 of General Revenue Obligation Bonds for the construction of a Judicial Center. They have issued \$4,500,000 in Bond Anticipation Notes to begin the project. These notes will be paid off when the bonds are issued.

On January 5, 2010, Rowan County Fiscal Court issued \$3,995,000 of General Obligation Bonds, Series 2010 for the construction of the County Administration Building Project. They had previously issued \$210,000 in Bond Anticipation Notes to begin the project. These notes were paid off when the bonds were issued.

**Note 12. Beginning Net Assets Restated**

Net assets of the governmental activities as previously reported have been restated and increased by \$140 for General Fund voided checks. The net effect of this adjustment restates the beginning net asset for governmental activities to \$11,499,658.

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**



**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 2,896,780	\$ 2,912,772	\$ 2,919,629	\$ 6,857
In Lieu Tax Payments	95,000	95,000	152,503	57,503
Excess Fees	56,110	181,868	182,580	712
Licenses and Permits	182,300	182,300	178,356	(3,944)
Intergovernmental Revenue	449,760	536,627	602,759	66,132
Miscellaneous	55,700	92,658	181,673	89,015
Interest	4,500	4,500	2,595	(1,905)
Total Revenues	3,740,150	4,005,725	4,220,095	214,370
<b>EXPENDITURES</b>				
General Government	1,203,884	1,267,347	1,303,623	(36,276)
Protection to Persons and Property	201,500	216,500	232,155	(15,655)
General Health and Sanitation	208,876	225,263	188,889	36,374
Social Services	27,000	27,000	24,544	2,456
Recreation and Culture	157,000	167,000	169,460	(2,460)
Airports	3,000	3,000	3,000	
Bus Services	20,656	20,656	20,656	
Debt Service	350,258	501,428	349,289	152,139
Capital Projects		11,199	11,937	(738)
Administration	967,231	942,156	954,636	(12,480)
Total Expenditures	3,139,405	3,381,549	3,258,189	123,360
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	600,745	624,176	961,906	337,730
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds			65,000	65,000
Transfers To Other Funds	(868,872)	(868,872)	(999,403)	(130,531)
Total Other Financing Sources (Uses)	(868,872)	(868,872)	(934,403)	(65,531)
Net Changes in Fund Balance	(268,127)	(244,696)	27,503	272,199
Fund Balance - Beginning	268,127	370,758	370,898	140
Fund Balance - Ending	\$ 0	\$ 126,062	\$ 398,401	\$ 272,339

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

	<b>ROAD FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 685,245	\$ 685,245	\$ 719,015	\$ 33,770
In Lieu Tax Payments	120,000	230,193	230,193	
Intergovernmental Revenue	1,039,716	1,039,716	1,104,289	64,573
Miscellaneous	210,000	218,152	212,549	(5,603)
Interest	3,000	3,000	6,628	3,628
Total Revenues	<u>2,057,961</u>	<u>2,176,306</u>	<u>2,272,674</u>	<u>96,368</u>
<b>EXPENDITURES</b>				
Roads	1,332,120	1,517,153	1,432,794	84,359
Debt Service	544,541	546,541	1,062,594	(516,053)
Administration	449,100	495,932	440,668	55,264
Total Expenditures	<u>2,325,761</u>	<u>2,559,626</u>	<u>2,936,056</u>	<u>(376,430)</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(267,800)</u>	<u>(383,320)</u>	<u>(663,382)</u>	<u>(280,062)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds			(50,000)	(50,000)
Transfers From Other Funds			50,000	50,000
Borrowed Money-Road Department			519,400	519,400
Mack Truck Lease (KACO)	195,000	195,000		(195,000)
Total Other Financing Sources (Uses)	<u>195,000</u>	<u>195,000</u>	<u>519,400</u>	<u>324,400</u>
Net Changes in Fund Balance	(72,800)	(188,320)	(143,982)	44,338
Fund Balance - Beginning	<u>72,800</u>	<u>112,800</u>	<u>264,263</u>	<u>151,463</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (75,520)</u>	<u>\$ 120,281</u>	<u>\$ 195,801</u>

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>JAIL FUND</b>				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 712,400	\$ 747,411	\$ 675,888	\$ (71,523)
Charges for Services	78,500	99,471	108,502	9,031
Miscellaneous	21,000	36,113	48,558	12,445
Interest	300	300	264	(36)
Total Revenues	812,200	883,295	833,212	(50,083)
<b>EXPENDITURES</b>				
Protection to Persons and Property	1,064,742	1,231,316	1,230,593	723
Debt Service	121,968	121,968	97,489	24,479
Administration	292,400	292,400	255,060	37,340
Total Expenditures	1,479,110	1,645,684	1,583,142	62,542
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(666,910)	(762,389)	(749,930)	12,459
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	661,910	661,910	737,000	75,090
Total Other Financing Sources (Uses)	661,910	661,910	737,000	75,090
Net Changes in Fund Balance	(5,000)	(100,479)	(12,930)	87,549
Fund Balance - Beginning	5,000	13,863	13,863	
Fund Balance - Ending	\$ 0	\$ (86,616)	\$ 933	\$ 87,549

**ROWAN COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>AMBULANCE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 198,000	\$ 201,779	\$ 201,948	\$ 169
Charges for Services	1,102,816	1,102,816	1,149,947	47,131
Miscellaneous	17,000	23,776	24,279	503
Interest	300	300	336	36
Total Revenues	<u>1,318,116</u>	<u>1,328,671</u>	<u>1,376,510</u>	<u>47,839</u>
<b>EXPENDITURES</b>				
Protection to Persons and Property	935,131	1,030,006	1,007,021	22,985
Debt Service	50,463	50,463	50,463	
Administration	506,977	506,977	461,498	45,479
Total Expenditures	<u>1,492,571</u>	<u>1,587,446</u>	<u>1,518,982</u>	<u>68,464</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(174,455)</u>	<u>(258,775)</u>	<u>(142,472)</u>	<u>116,303</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Lease Proceeds-KACO				
Transfers From Other Funds	174,455	174,455	179,000	4,545
Total Other Financing Sources (Uses)	<u>174,455</u>	<u>174,455</u>	<u>179,000</u>	<u>4,545</u>
Net Changes in Fund Balances		(84,320)	36,528	120,848
Fund Balances - Beginning		<u>32,320</u>	<u>32,320</u>	
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (52,000)</u>	<u>\$ 68,848</u>	<u>\$ 120,848</u>

**ROWAN COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2009**

**Note 1. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The Road Fund budget was overspent by \$376,430 due to the county not including the Kentucky Advanced Revenue Program in the budget.

**Note 2. General Fund Reconciliation**

Total Revenuees - Budgetary Basis	\$ 4,220,095
Add: Principal Payments Made By Sheriff for Vehicle Leases	<u>7,961</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 4,228,056</u></u>
 Total Expenditures - Budgetary Basis	 \$ 3,258,189
Add: Principal Payments Made By Sheriff for Vehicle Leases	<u>7,961</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 3,266,150</u></u>

**Note 3. Road Fund Reconciliation**

Total Expenditures - Budgetary Basis	\$ 2,936,056
Less: KARP Money Repaid	<u>(519,400)</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 2,416,656</u></u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ 519,400
Less: KARP Money Borrowed	<u>(519,400)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ 0</u></u>

**Note 4. Jail Fund Reconciliation**

Total Revenues - Budgetary Basis	\$ 833,212
Less: Transfers From Jail Canteen	<u>(28,200)</u>
Total Revenues - Modified Cash Basis	<u><u>\$ 805,012</u></u>
 Total Expenditures - Budgetary Basis	 \$ 1,583,142
Less: Debt Service	<u>(97,489)</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 1,485,653</u></u>
 Total Other Financing Sources (Uses) - Budgetary Basis	 \$ 737,000
Add: Transfers From Jail Canteen	<u>28,200</u>
Less: Transfers To PPC	<u>(97,489)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ 667,711</u></u>

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**ROWAN COUNTY  
COMBINING BALANCE SHEET -  
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS  
Other Supplementary Information**

**June 30, 2009**

**ROWAN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2009**

	<b>LGEA Fund</b>	<b>State Grants Fund</b>	<b>Disaster And Emergency Services Fund</b>	<b>Forest Fire Fund</b>	<b>Local Government Economic Development Fund</b>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 45,728	\$ 12,085	\$ 3,191	\$ 9	\$ 63,520
Total Assets	<u>45,728</u>	<u>12,085</u>	<u>3,191</u>	<u>9</u>	<u>63,520</u>
<b>FUND BALANCES</b>					
Reserved for:					
Encumbrances			38		
Unreserved:					
Special Revenue Funds	<u>45,728</u>	<u>12,085</u>	<u>3,153</u>	<u>9</u>	<u>63,520</u>
Total Fund Balances	<u>\$ 45,728</u>	<u>\$ 12,085</u>	<u>\$ 3,191</u>	<u>\$ 9</u>	<u>\$ 63,520</u>

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**June 30, 2009**  
**(Continued)**

<b>Total Non-Major Governmental Funds</b>
<u>\$ 124,533</u>
<u>124,533</u>
38
<u>124,495</u>
<u>\$ 124,533</u>

The accompanying notes are an integral part of the financial statements.

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**ROWAN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**

**ROWAN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2009**

	<b>LGEA Fund</b>	<b>State Grants Fund</b>	<b>Disaster And Emergency Services Fund</b>	<b>Forest Fire Fund</b>
<b>REVENUES</b>				
Taxes	\$	\$	\$	\$ 1,024
Intergovernmental	81,979	16,599	22,701	
Miscellaneous			720	
Interest	153		194	
Total Revenues	<u>82,132</u>	<u>16,599</u>	<u>23,615</u>	<u>1,024</u>
<b>EXPENDITURES</b>				
General Government				
Protection to Persons and Property			48,328	2,551
General Health and Sanitation		13,007		
Capital Projects	21,890			
Administration			9,345	
Total Expenditures	<u>21,890</u>	<u>13,007</u>	<u>57,673</u>	<u>2,551</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>60,242</u>	<u>3,592</u>	<u>(34,058)</u>	<u>(1,527)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers From Other Funds			34,903	1,500
Transfers To Other Funds	(18,000)			
Total Other Financing Sources (Uses)	<u>(18,000)</u>		<u>34,903</u>	<u>1,500</u>
Net Change in Fund Balances	42,242	3,592	845	(27)
Fund Balances - Beginning	3,486	8,493	2,346	36
Fund Balances - Ending	<u>\$ 45,728</u>	<u>\$ 12,085</u>	<u>\$ 3,191</u>	<u>\$ 9</u>

The accompanying notes are an integral part of the financial statements.

**ROWAN COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2009**  
**(Continued)**

<b>Local Government Economic Development Fund</b>	<b>Total Non-Major Governmental Funds</b>
\$	\$
127,170	1,024
	248,449
	720
	347
<u>127,170</u>	<u>250,540</u>
127,170	127,170
	50,879
	13,007
	21,890
	9,345
<u>127,170</u>	<u>222,291</u>
	28,249
	36,403
	(18,000)
	<u>18,403</u>
	46,652
63,520	77,881
<u>\$ 63,520</u>	<u>\$ 124,533</u>

The accompanying notes are an integral part of the financial statements.

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**





**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jim Nickell, Rowan County Judge/Executive  
Members of the Rowan County Fiscal Court

**Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Rowan County, Kentucky, as of and for the year ended June 30, 2009, which collectively comprise the County's basic financial statements and have issued our report thereon dated May 13, 2010. Rowan County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Rowan County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rowan County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rowan County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiency described in the accompanying comment and recommendation to be a significant deficiency in internal control over financial reporting.

- The Rowan County Detention Center Lacks Adequate Segregation Of Duties Over Accounting Functions



Report On Internal Control Over Financial Reporting  
And On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above material weakness.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Rowan County's financial statements as of and for the year ended June 30, 2009, are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

May 13, 2010

**ROWAN COUNTY  
COMMENT AND RECOMMENDATION**

**For The Year Ended June 30, 2009**



**ROWAN COUNTY  
COMMENT AND RECOMMENDATION**

**Fiscal Year Ended June 30, 2009**

**INTERNAL CONTROL - SIGNIFICANT DEFICIENCY:**

**The Rowan County Detention Center Lacks Adequate Segregation Of Duties Over Accounting Functions**

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Segregation of duties over accounting functions of cash collection, cash disbursements and reconciliation of bank records to source documents or implementation of compensating controls when limited by staff size is essential for providing protection from asset misappropriation and/or fraudulent financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

A lack of segregation of duties exists over the accounting function at the Rowan County Detention Center. One employee collects funds, prepares and makes deposits, prepares monthly reports, remits monthly reports along with inmate fees to the county treasurer, reconciles the bank account and makes payments from the bank account. The jailer has assigned a day shift deputy to assist the bookkeeper with preparing deposits and taking them to the bank. All reviews should be documented by initialing deposit slips, bank statements, invoices, and other monthly reports.

A Limited staff and limited budget places restrictions on the number of employees the Rowan County Detention Center can hire. When faced with limited staff, strong compensating controls should be in place to offset the lack of segregation of duties.

To adequately protect against misappropriation of assets and/or fraudulent financial reporting, the Jailer should separate the duties involving the collection of cash, deposit of cash, disbursement of cash and reconciliation of cash. If, due to limited staff size, that is not feasible, strong oversight over those areas should occur and involve an employee not currently performing any of those functions. Additionally, the Jailer could also provide this oversight.

*Jailer's Response: No response.*

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**ROWAN COUNTY FISCAL COURT**

**CERTIFICATION OF COMPLIANCE -  
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**

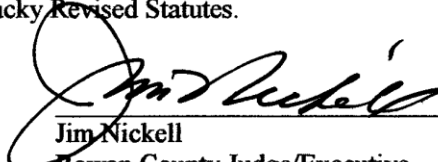
**For The Fiscal Year Ended  
June 30, 2009**

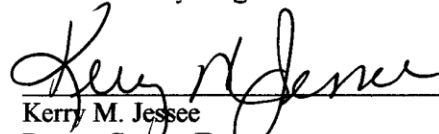


**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS**  
**ROWAN COUNTY FISCAL COURT**

For The Fiscal Year Ended June 30, 2009

The Rowan County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance and Development Programs were expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.

  
\_\_\_\_\_  
Jim Nickell  
Rowan County Judge/Executive

  
\_\_\_\_\_  
Kerry M. Jessee  
Rowan County Treasurer

